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April 1, 1999

Office of the Fiscal Assistant Secretary
U.S. Department of Treasury, Rm. 2112
1500 Pennsylvania, NW>
Washington D.C. 20220

Dear Friend,

I am writing on behalf of the Coalition on Homelessness to urge the Treasury to prohibit check cashers and other "payment service providers" from providing recipients access to electronic federal benefits, as part of EET'99. Check cashers prey upon low-income consumers and deny their customers the consumer protections provided at mainstream financial institutions.

The Coalition On Homelessness works to alleviate poverty by taking a multi faceted strategy, attacking the forces that cause poverty from all sides. The strategy combines making sure homeless and poor people know their rights with involving people in the shaping and formulating of public policy.

The Treasury began EFT'99 with the stated goal of bringing the unbanked into the financial mainstream. Allowing check cashers to be the access point for federal benefits recipients to receive their funds, however, does exactly the opposite. Check cashers force consumers to pay excessive fees for transactions that should be available to them at a reasonable cost.

Check Cashers al;so provided few consumers protections that they would receive if they banked at a federally insured financial institution. If federal benefits recipients have an account with such fringe bankers, check cashers may withhold funds as payment for sums owed to the check casher.

By allowing check cashers to provide access to federal funds, Treasury will not only condone but stimulate the abusive practices of check cashers. While the customer will go to the check casher to receive her federal benefits, she may also become a potential customer for numerous other abusive transactions. The number of check cashers has doubled since 1990, and is steadily growing. This profitable industry makes no reinvestment back into income communities in which they operate.

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It is time Treasury made EFT'99 a program that truly protects consumers and ensures that low income recipients are not relegated to a position outside the financial mainstream. Please prohibit arrangements wherein recipients of electronic federal payments gain access to benefits through non-depository payment service providers.

Sincerely,

Jennifer Friedenbach
Project Coordinator